

Welcome to the April 2015 edition of Cheque In, our publication designed to keep agencies informed and up-to-date on what has been happening at the Cheque & Credit Clearing Company (C&CCC). This edition features articles on:

- The Future Clearing Model (FCM) - a general update, including the state of play on cheque image processing legislation
- The Payment Systems Regulator and the FCM
- The key responsibilities of the Senior Sponsors Group
- An update on the seventh agency workshop

Your feedback on this publication is both welcome and essential to ensure that the C&CCC continues to engage with agency banks at the appropriate level. Should you have any comments on the content of this edition or suggestions regarding what you would like to see in future issues, get in touch with Clare or Roshan using the details in our contacts section on the back page.

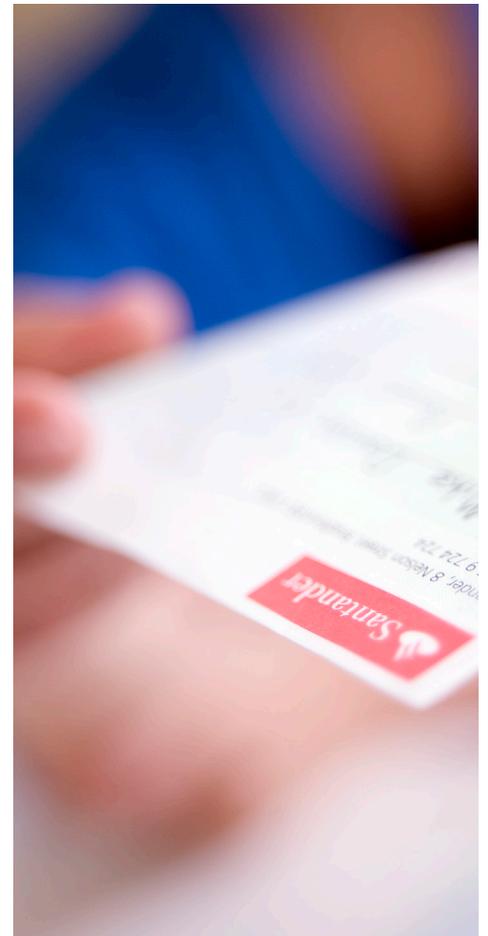
Future Clearing Model Programme Update

The future of cheque processing in the UK is set to change next year as a consequence of a change in legislation (see article on page 2). This new law will allow cheques to be exchanged between banks via an image process rather than having hundreds of millions of pieces of paper physically transported around the country every year.

The Future Clearing Model (FCM) Programme Team has responsibility to deliver the new way to clear cheques and its activity over the past few months has focused on agreeing the new model and putting the procurement process in place to enable the supplier of the FCM to be chosen.

The key achievements to date have been:

- The Request for Information (RFI) process has completed and the Information to Tender (ITT) is now in progress to identify a supplier for the Future Clearing Model;
- A letter confirming commitment to deliver cheque imaging has been sent to HM Treasury, signed by the Senior Sponsors Group Chair and the C&CCC Board Chair;
- All relevant working groups and committees are now up-and-running with attendees including representatives from members, agencies, challenger banks, FI representative bodies, independent directors and the Payment Systems Regulator;
- An FCM Glossary has been provided for use within the programme; and
- MORI qualitative and



quantitative research has been undertaken to gather views on the FCM from cheque users.

The FCM programme team is currently working with HM Treasury and all the 400 or so financial organisations that have customers who write or pay in cheques: a key part of this project is to engage with all the relevant stakeholders including: consumer groups; charities, businesses and organisations of all sizes to ensure that any reservations they may have about imaging are fully addressed.



Progress of the Small Business, Enterprise and Employment Bill

The legislation allowing for the introduction of cheque image processing has been working its way through Parliament within the Small Business, Enterprise and Employment Bill. The Bill had its second reading in the House of Lords on 2 December 2014 and the committee stage of the Bill began in the House of Lords on 7 January 2015. Final amendments were made to the Bill during the third reading on 17 March.

It successfully completed its passage through both Houses of Parliament following the completion of the Bill's 'consideration of amendments' phase on 24 March and the approved Bill received Royal Assent from the Queen on 26

March. Once a Bill receives Royal Assent, it is made an Act of Parliament, meaning the proposals in the Bill become law.

This change in the law will allow cheques to be exchanged between banks via an image process rather than having hundreds of millions of pieces of paper physically transported around the country every year.

Getting the legislation changed is a huge step forward but there is still much to be done - fundamental changes will need to be made to the cheque clearing infrastructure to future-proof the process whilst safeguarding integrity.



Senior Sponsors Group Key Responsibilities



As mentioned in our November issue, the Senior Sponsors Group is overseeing the FCM programme with the following key responsibilities, to:

- Empower and provide direction to the FCM Programme Group, working groups and other subordinate groups, providing them with a clear mandate and overseeing their objectives and outputs;
- Ensure implementation of an industry-wide FCM in line with the expectations set with HM Treasury;
- Ensure that all UK users of cheque clearing have an equal opportunity to participate in the FCM including the provision to non-C&CCC members of appropriate information and support;
- Ensure that external stakeholders including appropriate regulatory bodies and senior industry committees and councils are regularly kept informed of progress; and
- Ensure members of the C&CCC and the Payments Council are regularly updated on overall progress.

The aim of the SSG is that the programme delivers the following key principles:

- Customers that have chequebooks will continue to write cheques exactly as they do now;
- Customers will have increased choice over how they deposit cheques and current channels of deposits will not be restricted by the programme. Any new options to pay in remotely by smartphone or scanner will be in addition to, and not instead of, paying in paper cheques at bank branches, cash machines, Post Offices and by post;
- Customers will have clarity and certainty about when cleared funds will be available in their account;

The Payment Systems Regulator and the FCM Programme

The Payment Systems Regulator (PSR), which came into force on 1 April 2015, will be looking at the revised cheque clearing model to ensure it is aligned to their vision and objectives.



The PSR's vision is to ensure that the UK's payments systems are world-class. It has three statutory objectives, which are:

- To promote effective competition in the markets for payment systems and for services provided by those systems, including between operators, payment service providers and also infrastructure providers, in the interest of service-users;
- To promote the development of innovation in payment systems, in particular the infrastructure used to operate payment systems, in the interest of service-users; and
- To ensure that payment systems are operated and developed in a way that considers and promotes the interests of service-users.

Senior Sponsors Group

Key Responsibilities continued >>

- Tough measures will be implemented to mitigate all fraud and security risks;
- The system will facilitate competition by permitting "open access" to participants or potential participants on reasonable commercial terms;
- The system will allow flexibility of clearing timescales within the minimum criteria of ensuring funds are available at the latest by midnight on the 'working day' after deposit; and
- The payment system will be stable and reliable.

SSG currently has representation from members, agency and challenger banks, financial institutions representative bodies, independent directors and the Payment Systems Regulator. If you would like to become a member of this group or discuss this in more detail please contact Gordon Madgwick.

Dates for your diary

Eighth Agency Workshop

Date: 6 May 2015

Venue: 2 Thomas More Square, London

Topic: Focus on customer proposition and migration approach

Ninth Agency Workshop

Date: 3 June 2015

Venue: 2 Thomas More Square, London

Topic: Focus on fraud data and liability

Points of contact

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Seventh Agency Workshop



The seventh agency workshop was held on 4 February 2015 at 2 Thomas More Square in London. The response to this event was excellent with 72 delegates attending, including representatives from agency banks, building societies, challenger banks, the Payment Systems Regulator, one of the C&CCC independent directors and the sponsor banks' agency relationship managers.

The main objective of this workshop was to walk through the FCM model, in particular the key principles agreed by the Senior Sponsors Group in Q4 2014. This enabled further discussion on some of the key implications for agency bank processes, as well as some of the issues and challenges they face in delivering the programme by July 2016.

Fraud liability within the FCM programme continues to be a key question for agencies and the afternoon session focused on the current status of this work, and how the model would support

ongoing fraud detection and prevention. The CEO of the C&CCC, Angela Thomas, and the FCM Programme Director, Bob Silverman, were involved throughout the day and joined the panel for the open discussion at the end of the afternoon session.

The key themes and questions raised throughout the day included:

- Readiness for July 2016 and migration to a new model;
- Supplier selection approach and timings;
- Key components of the FCM; and
- The impact of the FCM on agency processes.

All material and presentations used on the day and a summary of the key outputs are available through livelink. If you would like to access these, please contact Roshan via roshan.patel@chequeandcredit.co.uk to arrange log on credentials.

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